The Secretary of Energy
Washington, DC 20585
September 10, 2001

The Honorable Sonny Callahan
Chairman, Subcommittee on Energy and Water
Development
Committee on Appropriations
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

The Senate Armed Services Committee Report, 106-292, accompanying the Floyd D. Spence National Defense Authorization Act for Fiscal Year 2001, Public Law No.106-398, requested a report analyzing post-closure benefits, obligations, and strategies to ensure consistent continuing pension and health insurance benefits to contractor employees and retirees at sites designated as defense closure facilities under section 3143 of the National Defense Authorization Act for Fiscal Year 1997. Currently, the three sites designated as defense closure facilities are: Fernald, near Cincinnati, Ohio; Mound, in Miamisburg, Ohio; and Rocky Flats, near Boulder, Colorado.

Enclosed is a report that informs the Committee of the Department of Energy's past experiences with post-closure benefits liabilities, current policies in dealing with the issues, analyses comparing benefits programs at closure sites, and studies of the long-term funding requirements of our post-closure obligations. We also are reporting on the various options for the transfer and post-closure administration and sponsorship, funding, and cost containment of pension and medical benefits plans.

The Department is committed to developing well-thought-out plans for resolving the many issues concerning post-closure benefits programs. The initiatives the Department has taken or plans to undertake to address the Senate report requirements are the first steps in our continuing commitment to improve the consistency, effectiveness, and efficiency of the benefits provided to our contractor employees. Consideration of these efforts will also be included as part of the top-to-bottom review of the Environmental Management program that is projected to be completed by early next year. Our commitment is to ensure that retired contractor employees continue to receive retirement and medical benefits and that the unfunded obligations for these programs are managed in the most efficient way possible. The enclosed report concludes that there are several options available to transfer and administer post-closure pensions and medical benefits and that cost containment is a possibility that should be pursued.

The Department will continue to analyze and study the issues involved with post-closure benefits programs and develop policies and closure agreements with contractors that will facilitate good management of the programs and the liabilities. If appropriate, we will seek legislation which will give the Department flexibility in managing these liabilities.

If you have any questions, please feel free to contact me or Mr. Dan R. Brouillette, Assistant Secretary, Congressional and Intergovernmental Affairs, at (202) 586-5450.

Sincerely,

Spencer Abraham

Spencer Abraham

Enclosure

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U.S. DEPARTMENT OF ENERGY
OFFICE OF ENVIRONMENTAL MANAGEMENT

Report on Funding and Administration of Post-Closure Benefits at Environmental Closure Sites

Submitted Pursuant to the Senate Armed Services Committee Report, 106-292, accompanying the Floyd D. Spence National Defense Authorization Act for Fiscal Year 2001, Pub. L. No.106-398

August 2001

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EXECUTIVE SUMMARY

The Senate Armed Services Committee Report, 106-292, accompanying the Floyd D. Spence National Defense Authorization Act for Fiscal Year 2001, Pub. L. No. 106-398 requested the Secretary of Energy to submit a report to the congressional defense committees detailing plans for the transfer and post-closure administration of pension and retiree medical benefits for employees of the Department of Energy (DOE) contractors at sites designated as defense closure facilities. The closure facilities covered by this report are: Fernald, near Cincinnati, Ohio; Mound, in Miamisburg, Ohio; and Rocky Flats, near Boulder, Colorado. Together, these facilities have approximately 5,450 current employees eligible for post-closure benefits, 4,450 vested terminated employees, and approximately 4,100 retirees receiving benefits. The Department's experiences at Oak Ridge, Tennessee, and Pinellas, Florida, are also discussed. Excluded from the report are closure facilities located at Columbus, Ohio, and Ashtabula, Ohio, because employees at both of those sites are under corporate plans for which DOE will not have a continuing liability after closure. Throughout this report, the term post-closure benefits will be used. Post-closure benefits are those current contractor employee pensions and medical benefits that DOE will continue to fund after site closure.

This report addresses pension and medical benefits for employees at the closure sites including current active employees, vested terminated employees, and current retirees. The current contracts for each of the closure sites require that employees receive pension and medical benefits. The contracts do not specify the level of benefits, and each contractor is free to develop its own plans as long as they are within cost and/or value parameters set out in Departmental policy. Consistent with normal commercial practice, the contractors fund pensions through trusts but do not pre-fund retiree medical benefits. The contractors fund retiree medical benefits on a pay-as-you-go basis. DOE reimburses both the medical and pension costs each year based on the benefit costs paid for medical and contributions to pension trusts during that year. Even after the closure sites are shut down, funding must be provided at each site to continue post-closure contractor employee benefits.

Under the Environmental Management (EM) Program, the transition from weapons production to cleanup and site closure has changed contractual arrangements. When a new contractor is selected for cleanup, the selected contractor assumes the sponsorship and administration of existing active employee and retiree benefit plans, thus ensuring continuity of benefits, sponsorship, and administration. Newly selected contractors rarely change pension and retiree medical benefits plans for workers who retired under previous contractors (current retirees). However, consistent with legal constraints, a newly selected contractor may make changes in future pension and retiree medical benefits plans for transitioned, active employees and new hires and in active employee medical benefits. Over the past 40-50 years, this has created a complex mix of program designs, cost-sharing, and benefit levels.

Existing law requires pension and post-retirement benefits plans to be sponsored and administered by a party other than the Federal government. However, there is uncertainty as to the continued capability and willingness of existing contractors to administer post-closure benefits. In addition, there is no DOE strategy on how to fund, sponsor, and/or administer post-closure benefits. DOE has, however, negotiated contractual clauses to require continued sponsorship and administration of pension and benefits plans by the closure contractors, if requested by DOE. Such clauses have been negotiated into the most recent site cleanup and closure contracts at Fernald and Rocky Flats. The DOE expects to successfully negotiate a similar clause in the Mound contract later this year.

On August 3, 2000, the former Assistant Secretary for EM issued guidance to contractors and their employees and retirees providing in part:

> While the Department cannot make any specific commitments concerning the level of benefits beyond closure, the Department intends to ensure that post-retirement medical benefits continue post-closure and that those benefits after closure will generally be consistent (in terms of such factors as cost, value, and longevity) with the benefits in existence at closure. DOE intends, subject to the Anti-Deficiency Act, to fund such benefits accordingly.

The detailed data collected as of October 1, 2000, that will support the DOE Consolidated Financial Statement as of September 30, 2001, pending any adjustments, reflects that the pension trusts for the three closure sites, in total, are underfunded on a continuing fund basis. This means that the estimated value of assets in the pension trusts is less than the total value of expected future benefits for current retirees and future retirees. Additional funding, if needed, will be provided as required under applicable regulations. In addition, the estimated market value of assets for the pension trusts is less than the estimated plan termination liability. Should DOE contractors liquidate their pension liabilities for these sites through pension plan termination, the total potential plan termination liability for the closure sites is estimated to be at least $736 million. The termination liability compares with an estimated market value of assets in the pension trusts of $626 million. The unfunded termination liability now estimated at $110 million will increase or decrease if interest rates and/or market value of assets fall or rise respectively.

Unlike with pension plans, no assets are held in trust to satisfy site closure liabilities for retiree medical benefits at the three closure sites. Also, there is effectively no available insurance market to assume retiree medical benefit liability. Thus, as a practical matter, in order to ensure continuity of medical benefits, DOE may need to continue the current pay-as-you-go system. Using the latest financial projections prepared by DOE, the annual expected benefits payment for post-closure retiree medical benefits will be approximately $56 million by 2006 and increase to more than $72 million per year after all three sites close.

The Department's analyses also show that there are substantial differences in medical benefits plans among the three closure facilities and among current retirees, future retirees, and current active employees. Current retirees pay very little toward the cost of their medical benefits plans and have substantially better benefits when compared with retiree medical benefits plans for current active employees at the three closure sites or with current corporate or government retirees. DOE requires its contractors to submit periodic reports using professionally recognized measures to compare their employee benefits to those of other organizations and submit corrective action plans when benefit values or costs exceed established parameters. DOE evaluates the reasonableness of overall contractor employee benefit program costs in the context of total compensation. Compensation is considered reasonable if each element of cost that makes up the contractor employees' compensation package is judged to be reasonable.

DOE's focus on the overall cost of contractor benefits programs in the context of total employee compensation assures basic consistency of benefits at DOE facilities and is appropriate for ongoing DOE work. However, for closure sites there is also a need to focus on each element of cost, particularly retiree medical benefits, given the magnitude of these costs, the need to fund and administer these benefits after site closure, and the fact that pension benefits are not subject to reduction after site closure.

Major issues currently facing DOE and possible DOE actions are as follows:

- **More guidance is needed to address the special circumstances at closure sites.** The DOE intends to prescribe a consistent methodology for analyses of costs of both current employee and retiree benefits programs and clarify the processes, roles, and responsibilities for review and approval of benefit plan changes.

- **Medical benefits are comprehensive and vary considerably from group to group and site to site in cost and benefit design**. The DOE will evaluate the feasibility of implementing a model program design to make medical benefits programs more consistent across the closure sites and facilitate efficient and effective benefit delivery. A possible model program should consider "comparables" and cost sharing. A possible approach is to provide standardized language for medical benefits programs for inclusion in new contracts, major renegotiations of existing contracts, and incentive fee programs.

- **Annual costs to fund benefits are large and growing, thus reducing available funds for site cleanup**. The DOE is continuing to assess the impact on cleanup requirements and contractor operating budgets resulting from the need to fund legacy benefit liabilities arising from past weapons production activities.

- **The Department needs to develop a strategy on how to fund its post-closure liabilities.** The DOE will evaluate options including lump-sum payments to liquidate liabilities, continuing pay-as-you-go, and establishing a trust fund with investment income to help defray costs.

- **Provisions for continuing plan sponsorship and administration need to be addressed.** The Department continues to negotiate contract clauses to provide direction for post-contract administration and sponsorship and intends to negotiate similar clauses into all closure site contracts. The DOE will evaluate the options to handle plan sponsorship and administration to include continuation of existing contractors, merging with ongoing pension plans, use of other DOE contractors, and employing third-party administrators.

In short, DOE will need to provide for post-closure sponsorship and administration of contractor pension and retiree medical benefits. The major challenge, however, may be to provide funding for continuation of retiree medical benefits for contractor employees. DOE is reviewing contractor benefits programs at all EM sites and, as appropriate, will apply lessons-learned to other sites. The Department will continue to explore all available options and keep the relevant congressional defense committees informed of its progress.

1.0 INTRODUCTION

Report Requirements

The Senate Armed Services Committee Report, 106-292, accompanying the Floyd D. Spence National Defense Authorization Act of Fiscal Year 2001, Pub. L. No. 106-398, requires that the Secretary of Energy submit a report to the congressional defense committees detailing plans for the transfer and post-closure administration of benefits for employees of DOE contractors at closure project facilities established pursuant to the National Defense Authorization Act for FY 1997 (Public Law 104-106). The report is to include the following:

1. Strategies to ensure that long-term employee and retiree benefits are consistent, in terms of cost and longevity, with such benefits for employees at other DOE facilities;

2. An analysis of the long-term funding required for the administration of pension and medical benefits plans at each closure facility;

3. Plans for transfer and post-closure sponsorship and administration of any DOE-funded pension plans at each closure facility; and

4. Plans for transfer and post-closure sponsorship and administration of DOE-funded long-term medical benefits plans at each closure facility.

This report will first address the framework in which DOE manages contractor pension and medical benefits. Then, the report covers DOE's experiences in these matters and discusses the challenges for funding and continued sponsorship and administration of these benefits at closure sites.

Facilities Covered

The facilities covered are:

1. Fernald Facility near Cincinnati, Ohio
2. Mound Facility in Miamisburg, Ohio
3. Rocky Flats Facility near Boulder, Colorado

In addition, we will discuss the Department's experiences at Oak Ridge, Tennessee, and Pinellas, Florida.

2.0 CONTEXT

The site closure contractors at the three closure sites administer defined benefit pension plans. These defined benefit plans are funded through employer contributions, and the contractor is reimbursed by DOE. The contributions plus investment income are held in trusts and must be used for the exclusive benefit of the plans' beneficiaries for pension benefits and in certain circumstances for their retiree medical benefits.

The site contractors also sponsor retiree medical benefits plans. Unlike pension plans, there are no assets held in trust to satisfy potential closure site medical benefits liabilities. Current Internal Revenue Service regulations do not permit the tax-free buildup of assets to cover retiree medical liabilities as they do for pension plans. Also, unlike pension plans, there is effectively no available insurance market to accept the transfer of this risk and permit DOE to liquidate the retiree medical benefits liability.

DOE Order 350.1A and Accompanying Guidance to Contractors

Current Departmental policies on contractor employee pension and benefit programs are contained in DOE Order 350.1A, Contractor Human Resource Management Programs, dated September 30, 1996 (Chapters V and VI and attached Contractor Requirements Documents). This Order does not fully address the needs and special circumstances of sites that are planned for closure and termination of operations.

Contractors are required to perform a value study or a U.S. Chamber of Commerce Employee Benefit Survey cost comparison study every three years. If benefit values or costs are more than five percent above or below the appropriate comparators, the contractor is required to submit a corrective action plan to DOE to bring benefits cost or value within accepted parameters. This requirement is not adequate to address the special circumstances surrounding closure sites, given the relatively short time frame for site closure and the need to focus on each element of cost rather than total cost.

Contract Clauses

The Department has negotiated contract clauses for site closure contracts that give DOE the option of requiring the existing contractor to continue as the employer-sponsor of the existing benefits program after closure on a cost reimbursement basis. It requires the contracting officer to provide direction to the contractor for continuing or terminating benefit plans during the final six months of the contract. The relevant text of the Fernald contract clause is included in Appendix A. DOE negotiated a similar clause in the Rocky Flats closure contract. DOE expects to negotiate a similar clause in the Mound contract in the near future.

Assistant Secretary for Environmental Management Guidance

On August 3, 2000, the former Assistant Secretary for Environmental Management issued guidance to all closure sites, contractors, employees, and labor organizations concerning post-closure medical benefits for contractor employees. As explained in letters to the U.S. House of Representatives and U.S. Senate Chairmen of the Committee on Armed Services dated May 30, 2001, the former Assistant Secretary stated, "[W]hile DOE cannot make any specific commitments concerning the level of benefits beyond closure, DOE does intend to ensure that retiree health benefits continue post-closure and that those benefits after closure will generally be consistent in terms of such factors as cost, value, and longevity with benefits in existence at closure. We are continuing to work with closure sites to address post-closure benefits consistent with this guidance." A copy of the guidance memorandum is provided as Appendix B.

3.0 STATUS AT DEFENSE CLOSURE SITES AND OTHER SITES

DOE has experience that can be useful as it works toward the cleanup and closure of these facilities. The Department successfully closed the Pinellas facility and provided continued sponsorship, administration, and funding of pension and retiree medical benefits for the affected employees. The three sites now scheduled for closure are using a variety of approaches to deal with benefits issues. In addition, the recently negotiated settlement of pension and retiree medical benefits at Oak Ridge is also discussed.

Pinellas Facility

This facility, located in Florida, was cleaned up and closed at the end of FY 1997. There were a number of benefit plans, including severance pay, worker's compensation, and disability and life insurance, as well as several pension programs (some funded and some unfunded) and medical benefits plans for which DOE was responsible. The total pension liability was over $20 million for the approximately 2,000 retirees. DOE successfully negotiated with Lockheed Martin Sandia Corporation to accept the sponsorship and administration of the Pinellas pension plan, as well as the retiree medical benefits at the time the Pinellas plant closed. Under the agreement negotiated with Lockheed Martin Sandia, the Department continues to fund Pinellas retiree medical benefits on a pay-as-you-go basis. The annual cost in 1998 was approximately $10 million for benefits, mostly for medical benefits. Pinellas retiree medical benefits costs are continuing to gradually decline as retirees become eligible for Medicare. The FY 2000 annual cost was approximately $6.5 million. Administrative costs are approximately an additional $1.5 million per year. The Pinellas pension trust had assets in excess of accrued liabilities as of September 30, 2000; therefore, DOE is evaluating opportunities to liquidate the pension liability.

Fernald

The Fernald facility as of October 1, 2000, had approximately 1,700 current employees eligible for retiree benefits, 150 vested terminated employees, and 625 retirees already receiving benefits. As of October 1, 2001, Fernald's present value of unfunded liabilities for expected future benefits and annual payments are as follows:

Fernald Estimates in Millions as of October 1, 2001*

	Present Value of Unfunded Liability		FY 2001 Payments
	Continuing Plan	Termination	
Pensions	$15	$23	$8
Medical	$90	Not determinable	$3

Explanation: Pensions: The estimated market value of the assets is estimated at $69 million compared to:

- Continuing Plan Basis. Liability is estimated at $84 million, resulting in an unfunded liability of $15 million.
- Termination. Liability is estimated at $92 million, resulting in an unfunded liability of $23 million.

Medical: No trust fund established to fund the liability.

*See Section 4.0 below for further information and explanation.

As noted in the analysis contained in section 5.0 below, Fernald has current and future retiree medical benefits plans with minimal premium cost-sharing and provisions that are not in line with current practice in the private sector, including Medicare integration. Current employee plans are more in line with private sector practice, but unfortunately, the contractor has numerous individual plans for small numbers of employees, a costly practice.

Mound

The Mound facility has approximately 750 current employees eligible for retiree benefits, 800 vested terminated employees, and 475 retirees already receiving benefits. As of October 1, 2001, Mound's present value of unfunded liabilities for expected future benefits for retirees and annual payments are as follows:

Mound Estimates in Millions as of October 1, 2001*

	Present Value of Unfunded Liability		FY 2001 Payments
	Continuing Plan	Termination	
Pensions	$23	$38	None
Medical Benefits	$175	Not determinable	$8

Explanation: Pensions: The estimated market value of the assets is estimated at $100 million compared to:

- Continuing Plan Basis. Liability is estimated at $123 million, resulting in an unfunded liability of $23 million.
- Termination. Liability is estimated at $138 million, resulting in an unfunded liability of $38 million.

Medical: No trust fund established to fund the liability.

*See Section 4.0 below for further information and explanation.

Analysis shows that Mound provides retiree medical benefits to current retirees at little or no out-of-pocket expense for the retirees. Future retirees have fairly generous plans but with employee contribution schedules varying with years of service (rather than requiring consistent payments of a fixed percentage of costs), resulting in overall cost savings to the DOE. Current employee plans are in line with current private sector practice, but as in the case of Fernald, the contractor has numerous individual plans for small numbers of employees.

The Ohio Field Office has begun a study of the retiree medical benefits plans at Mound because of their high costs and large future liabilities. The study will address the commitments to maintain plan benefit levels and is expected to recommend new and innovative ways to deliver the same or comparable benefits at lower costs.

Rocky Flats

The Rocky Flats facility has approximately 3,000 current employees eligible for retiree benefits, 3,500 vested terminated employees, and 3,000 retirees already receiving benefits. As of October 1, 2001, Rocky Flats present value of unfunded liabilities for expected future benefits for retirees and payments are as follows.

Rocky Flats' Estimates in Millions as of October 1, 2001*

	Present Value of Unfunded Liability		FY 2001 Payments
	Continuing Plan	Termination	
Pensions	Over-funded	$49	$1
Medical Benefits	$550	Not determinable	$18

Explanation: Pension: The estimated market value of the assets is estimated at $457 million compared to:

- Continuing Plan Basis. Liability is estimated at $435 million, resulting in an over-funded status of $22 million.
- Termination. Liability is estimated at $506 million, resulting in an unfunded liability of $49 million.

Medical: No trust fund established to fund the liability.

* See Section 4.0 below for further information and explanation.

Current retiree's medical benefits (including employer-paid Medicare Part B) are provided at little or no cost to the retiree. The large amount of pension trust assets in excess of liabilities (+$22 million) has provided the Rocky Flats contractor with the opportunity to negotiate with the contractor employee union to increase employee contribution for the medical benefits plan for current employees in return for retirement program enhancements. This negotiation resulted in bringing early retirement under the plan into better coordination with the anticipated site closure date for employees and to prevent the loss of employees critically needed to achieve closure. In return for an early retirement program, the union agreed to accept increases in medical benefits cost-sharing and annual changes in benefits for active employees as determined by the insurance carrier's standard plan. Other changes agreed to include the reduction of job classifications, more management flexibility in making work assignments, and reductions in employment guarantees. Together, these changes will result in cost reductions that are equal to the value of the enhanced pension plan and will provide some post-closure medical benefits cost avoidance for DOE.

Oak Ridge

In a related vein, this spring the Department approved an ad hoc proposal by Babcock and Wilcox Technologies (BWXT) to increase the retirement benefits for retirees covered by the

BWXT pension plan at Oak Ridge. The failure by BWXT to update the pension benefits had resulted in a loss of employees to competitors. Therefore, BWXT increased pension benefits for current retirees and accrual rates for active employees. In return, BWXT received offsetting reductions in medical coverage for both active and retired employees.

4.0 FINDINGS: CRITICAL ANALYSIS AND FUNDING CHALLENGES

Pensions

Upon site closure, existing pension plans will either have to be terminated through the purchase of annuities and payment of lump sum distributions, maintained by the closure contractor, transferred to another DOE contractor for administration, merged with another ongoing pension plan, and/or contracted out to a third-party administrator. Upon plan termination, any shortfall in net plan assets will have to be funded by DOE.

The present value of pension liabilities reflected in details that will support the DOE Consolidated Financial Statement, pending any adjustments, shows that the Fernald and Mound pension trust funds lack assets adequate to fund projected benefits obligations for future retirees. The Rocky Flats salaried plan pension trust fund presently contains assets in excess of liabilities computed on an ongoing plan basis, but not when computed for pension plan termination.

The estimate of pension trusts termination liabilities for all closure sites is $736 million as compared to the estimated market value of assets of $626 million. With regard to pension assets, the rates of return have not been favorable due to the poor performance in the equity markets during 2000 and 2001 to date. Due to rates of return on trust assets, it is reasonable to assume that the $110 million unfunded termination liability for the pension trusts can go higher.

Medical Benefits

Detailed data that will support DOE's Consolidated Financial Statement dated September 30, 2001, pending any adjustments, shows a present value estimate of the medical benefits liability of $815 million for the three facilities. This amount is an estimate projected over the lifetime of retirees. Also, the amount does not include all administrative costs.

Absent an available insurance market to accept the retiree medical risk, as a practical matter the options after site closure are limited to either negotiation of continued retiree medical plan administration and sponsorship by the terminating contractors, or negotiation with another DOE contractor to assume plan sponsorship and administration. The two options for funding retiree medical benefits are either a lump-sum settlement or a continuing payment of the benefit costs, plus administrative costs, on a pay-as-you-go basis.

General Findings for Pensions and Medical Benefits

The total liability for the termination of pensions in excess of current assets at the three sites is approximately $110 million. There is little that DOE can do to reduce this amount since the liabilities are based on statutory requirements. Changing in interest rates and market value appreciation could substantially reduce or increase the shortfall. Any shortfall will have to be covered through the budget process.

The retiree medical benefits liability is a different matter. The estimate of the present value of the liability is $815 million, and the potential for significant increases due to continuing medical cost inflation is very real. At the present, DOE expects to continue annual pay-as-you-go for annual payments for post-retirement medical benefits but is exploring opportunities to better assure the continued funding of medical benefits plans and reducing costs. Using the latest financial projections prepared by DOE, the annual expected benefit payment for post-retirement medical benefits will be approximately $56 million by 2006 and increase to over $72 million per year by the time all three sites are projected to close.

5.0 ANALYSIS OF MEDICAL BENEFITS

Comparative Analysis of Current Employee and Retiree Medical Benefits Programs

DOE employed a nationally recognized actuarial firm to do a comparative analysis of medical benefits plans at the three defense closure sites. The consultants also analyzed the pension and retiree medical benefits of the Oak Ridge EM Program for comparative purposes. The consultants used a number of national surveys to develop a high degree of confidence with respect to availability of retiree medical benefits, plan design, cost, and liability projection assumptions. Also included for comparative purposes was the Blue Cross and Blue Shield standard option medical benefits plan chosen by the majority of Federal retirees through the Federal Employees Health Benefits Program (FEHBP). This plan is frequently used as a frame of reference in comparative analyses but should not be used without consideration of the significant impact of Federal pension plan designs on any assessment of total employee benefits programs.

The analysis revealed significant disparities at each site for benefits offered to current retirees compared to those offered to current active employees and future retirees. At each site, the administration of benefits is complicated by the variety of program designs. A copy of the comparative analysis is included in Appendix C.

Summary findings of this analysis are provided for hourly and salaried employees broken down by current retirees, future retirees, and current active employees as follows:

1. **Current Retiree's** at each of the sites pay little or nothing for medical benefits. Coverage is typically for life for retirees, spouses, and other eligible dependents. Cost-sharing is minimal in the benefit design. Integration with Medicare follows the most costly approach at two of the sites, Fernald and Rocky Flats. Also, the Rocky Flats contractor pays Medicare Part B premiums for pre-1995 retirees and spouses, a costly and rare practice. Cost-sharing of monthly premiums by the retirees is typically only a small, fixed-dollar amount, rather than a percentage of total costs.

2. **Future Retiree's** medical benefits plans vary more than those for current retirees, reflecting changes in contractors, contractor corporate plans, and attempts to comply with DOE guidance. Contractors are now offering future retirees medical benefits that are more in line with industry standards related to managed care and other cost-containment approaches implemented for active employees. Retiree premium cost-sharing at the Mound site is based upon years-of-service contribution schedule, but both Fernald and Rocky Flats have minimal premium cost-sharing with retirees. Fernald provides retirees over age 65 with Medicare-gap coverage at no cost. At Rocky Flats, current retirees' medical benefits (including employer-paid Medicare Part B) are provided at little or no cost to the retirees. Only the Mound site offers future retirees medical benefits that are comparable with typical private sector practice.

3. **Current Active Employee's** medical benefits are in line with current private sector practice, utilizing managed-care medical benefits plans and requiring competitive levels of cost-sharing. However, each site has its own plan designs, insurance carriers, and health maintenance organizations.

6.0 SUMMARY

In response to the Senate report requirements, the following describes the actions DOE has initiated or plans to undertake.

1. **<u>Strategies to ensure that long-term employee and retiree benefits are consistent, in terms of cost and longevity, with such benefits at other DOE facilities.</u>**

   A. More guidance is needed to address the special circumstances surrounding closure sites.

   DOE continues to work with its contractors to maintain the cost or value of retiree medical benefits within an established range of acceptability--no more than five percent above the comparator for other public and private organizations. As indicated earlier in this report, existing DOE policy generally assumes continued operations and the transfer of contractor benefits programs to successor organizations. Existing requirements focus mainly on the majority circumstance, i.e., current employees. The required cost evaluations do not provide a sufficient tool to manage and evaluate retiree medical benefits liabilities. Additional specific policy and guidance are needed for DOE managers and site contractors to carry out these responsibilities when a site closes and the contractor terminates activities.

   The Department continues to review its guidance for post-contract employee and retiree benefits. The Department is considering such things as:

   1. A consistent methodology to be used by the contractors to analyze contractor benefit program costs to include both current and retired employees. The revised methodology should also include appropriate weighting for retiree medical benefits value and cost to address the large closure obligations of retirement programs;

2. An added focus on the significant unfunded post-contract liabilities, particularly for retiree medical benefits;

3. Clarification of the process and responsibilities for DOE review and approval of any changes to the contractor benefits programs;
4. Requirements for contractors at closure sites to submit plans for the continuation of post-retirement benefits post-closure; and

5. A model program design for DOE contractors.

B. Retiree's medical benefits at closure sites are comprehensive and vary considerably in cost, value, and benefit design from commercial practices.

A report provided by a national consultant on medical benefits indicated that current retirees at closure sites pay little or nothing for comprehensive medical benefits. In addition, medical benefits for future retirees at closure sites vary considerably in cost and benefit design from site to site. National health surveys show a decline in retiree medical coverage provided by employers of all sizes, with larger employers more likely to provide some level of retiree medical benefits. Cost containment/cost savings may be possible with modest changes in medical benefits program design for closure site employees and retirees.

The Department will consider implementing a model program design for medical benefits programs at closure sites and, if appropriate, for the other EM sites. A possible model program should consider "comparables," include increased cost-sharing, and foster improved plan consistency. One of the programs that will be looked at, but not the only one, is the FEHBP. This program is well known, allows maximum choices to subscribers, treats current employees and retirees essentially on the same basis, and is large enough to command responsive and cost-competitive services. It must be emphasized that the FEHBP should not be used without consideration of the impacts of Federal pension plan design on total employee benefits considerations. DOE might provide standardized language for medical benefits programs for inclusion in new closure site contracts or for major renegotiations. In addition, incentives for existing contractors to move toward the model program requirements will be evaluated. It is likely that not all elements contained in the model medical benefits program will be implemented by a contractor immediately but instead will be phased in over several years.
DOE does not itself negotiate terms and conditions of employment for contractor employees. It does evaluate consistency of pension and retiree medical benefits and other benefits with relevant comparators. In recognition of the expectations of individuals, the former Assistant Secretary for EM provided a guidance memorandum dated August 3, 2000 (Appendix B), which commits DOE to continuing to provide and fund post-closure benefit plans, which will generally be consistent in terms of such factors as cost, value, and longevity with the benefits in existence at closure.

Appendix C shows a comparative analysis of medical plans for the sites.

2. **Analysis of long-term funding required for the administration of pension and medical benefits plans at each closure facility.**

   A. Annual costs to fund benefits are large and growing, thus reducing funding for site cleanup, particularly at the Mound and Fernald sites.

   Without careful planning, increasing annual costs for contractor benefits could significantly and adversely impact the goals of accelerated site closure. For example, the total annual budgets for medical benefits for FY 2001 are estimated to be: (1) Fernald, $12.7 million; (2) Mound, $9.1 million; and (3) Rocky Flats, $32.5 million.

   The medical benefit costs for the Ohio closure sites are a significant portion of their annual operating budgets. In the case of the Mound site, over 10 percent of its annual operating budget for FY 2001 is presently devoted to pension plans and medical benefits, this is projected to grow to approximately 20 percent in a few years. We will continue to assess the impact of funding legacy benefits stemming from past weapons production activities on cleanup requirements.

   B. The Department needs to develop a strategy on how to fund its post-retirement liabilities.

   Funding of post-retirement benefits on a post-closure basis could result in the immediate need for significant funds to settle post-contract benefit liabilities either on a lump sum or a pay-as-you-go basis. If DOE decides to terminate the closure sites pension trusts, this action would require at least an additional $110 million for pension benefits according to the latest estimate. Market conditions obviously can change. For medical benefits, DOE's only practical option may be to continue to use pay-as-you-go. Using the latest financial projections, the annual expected contributions for post-retirement medical benefits will be approximately $56 million in 2006 and increase to over $72 million in 2012 when all the closure sites are shut down.

   The Department will develop a strategy to fund post-contract benefits, including an evaluation of the following options:

   1. Negotiation of a lump-sum payment to an outgoing contractor to liquidate liabilities;

   2. Payment to an ongoing contractor on a pay-as-you-go basis to fund post-contract benefits programs;

   3. Establishment of a trust fund to permit investment to generate income to pay for termination of liabilities or continuing costs; and
   4. Practicality of seeking legislative relief from Federal excise and income taxes for pension asset reversions deposited into a trust fund.

Section 4.0 of the report, Critical Analysis and Funding Challenges, indicates that using the latest financial projections prepared by DOE, the annual expected benefit payment for post-retirement medical benefits will be approximately $56 million by 2006 and increase to over $72 million per year by the time the three sites are closed. A projected estimate of pension trusts termination liabilities for all closure sites is $110 million.

3&4. <u>Plans for transfer and post-closure sponsorship and administration of any DOE-funded pension plans and medical benefits at each closure facility</u>.

A. Provisions for continuing plan sponsorship and administration need to be addressed.

As previously stated, a contract clause providing direction to the contractor on the need to continue plan sponsorship and administration of benefits programs on a cost-reimbursement basis has been negotiated in the Fernald and Rocky Flats contracts and a similar clause is expected to be included later this year in the Mound contract. Similar clauses will be incorporated into other closure site contracts, as appropriate. However, even with these contractual provisions in place, there is uncertainty as to the continuing capability or willingness of contractors to administer post-closure benefits programs at a reasonable cost.

The Department plans to negotiate definitive contract clauses to provide direction on the requirements for effectively administering contractor benefits programs after closure. We plan to conduct an analysis of other options to continue the administration of post-closure benefits for closure sites.

Options to be addressed may include:

1. Awarding separate contract(s) to provide plan sponsorship and administration;

2. Negotiating with other DOE contractors to perform these services;

3. Merging pension plans from closing sites into continuing plans; and

4. Negotiating with incumbent contractors at the closure sites to provide these services on a cost-reimbursement basis with perhaps the inclusion of a reasonable incentive fee.

<u>Conclusion</u>

DOE remains committed to the guidance promulgated by the former Assistant Secretary for EM on August 3, 2000. This guidance issued to contractors and their employees and retirees, commits that DOE will continue to provide and fund post-closure benefits plans and arrange for successor administration. Specific concerns about how to fund legacy benefit programs, now and after closure, will need to be addressed. DOE will continue to evaluate the long-term costs of the contractor benefits programs at the closure sites and how these programs compare in terms of program design and costs with appropriate norms. As we have noted, DOE has been aware of the problems associated with post-contract benefits and has outlined a plan to help resolve the issues. Resolution of these problems must appropriately integrate contractor work force planning and the funding needed to continue their benefits programs into the cost and schedule baselines established for accelerated closure sites. Plan design and costs for contractor benefits must be negotiated between the contractors and the representatives of the work force as well as between DOE and the contractors. We will provide a progress report to the congressional defense committees by April, 2002 with regard to these matters and, where appropriate, seek congressional support.

Appendix A

Fernald

Contract # DE-AC24-01OH20115

Pensions and Other Employee Benefit Plans

1. The contractor will, in addition to becoming the sponsoring employer for medical, retiree medical, and disability plans, become the sponsoring employer for the Fernald Environmental Management Project (FEMP) pension and investment plans and will have responsibility for administering and maintaining their qualified status.

2. The contractor must submit actuarial certification and employer certification as the sponsoring employer and participating employer in FEMP pension plans in order that such plans be in full compliance with Internal Revenue Code and Employee Retirement Income Security Act (ERISA) requirements including, but not limited to, any applicable non-discrimination testing.

3. In keeping with the closure focus of site activities, the contractor will maximize efforts which continue and expand upon current FEMP pension plan provisions regarding the concept of lump sum benefits and portability of pension benefits.

4. If this contract:

   a. Is terminated;

   b. Expires without a follow-on contract; or

   c. Is replaced with a contract which does not contain a post-contract welfare benefit program for which Department of Energy (DOE) has a continuing funding obligation, the contractor will continue as plan sponsor and administrator of existing benefit programs if requested by DOE. These programs include pension and welfare benefit plans for those employees who earned such benefits, including retirees, disabled employees, and eligible dependents and survivors.

5. In accordance with DOE-approved contractor benefit plans, the contractor will provide benefit continuation on a funding basis acceptable to DOE.

   a. During the final six months of this contract, the contracting officer shall provide written direction to the contractor regarding certain post-employment employee benefits systems, such as pension systems, post-retirement medical insurance, and post-retirement life insurance.

   b. The contracting office may direct any of a number of potential means of addressing the continuing responsibilities for these systems. The direction will identify the potential means of addressing such responsibilities that may include, but are not limited to, termination of the plans in accordance with relevant laws and regulation, continuation of the plans on a "pay-as-you-go" basis under a separate contract with the contractor, or transfer of plan responsibilities to another contractor or third party. The selection among these options is at the sole discretion of the contracting officer. The contractor will implement the options as directed by the contracting officer.

c. To the extent that the contractor incurs costs under this contract in implementing the contracting officer direction, the contractor's allowable costs will be reimbursed according to the Allowable Cost and Payment provisions of this contract.

Appendix B

Department of Energy
Washington, DC 20585

August 3, 2000

TO: DOE Closure Sites and Contractors, Employees, and Labor Organizations Representing Such Employees

FROM: Carolyn L. Huntoon, Assistant Secretary for Environmental Management   Carolyn L Huntoon 8/3/2000

SUBJECT: Post-Closure Benefits for Contractor Employees

The purpose of this memorandum is to provide guidance to Department of Energy (DOE) contractors at early closure sites and to reaffirm the Department's commitment to provide for post-retirement medical benefits after sites close.

While the Department cannot make any specific commitments concerning the level of benefits beyond closure, the Department intends to ensure that post-retirement medical benefits continue post-closure and that those benefits after closure will generally be consistent (in terms of such factors as cost, value, and longevity) with the benefits in existence at closure. DOE intends, subject to the Anti-Deficiency Act, to fund such benefits accordingly. Any proposal to modify the level of these benefits would require the approval of DOE (HQ). This approach is consistent with the Department's actions at Pinellas, Florida, where DOE has ensured that pension and medical benefits continue to be available for retirees of the DOE contractors at that site. The Pinellas site was closed in 1997.

The Department will ensure that DOE contractors, working with any labor organizations representing their employees, understand the Department's commitment to seeing that these matters are handled in a way that fully reflects the Department's policies.

Appendix C

List of Explanations for Acronyms in the Comparative Analysis of Medical Plans:

PPO Preferred Provider Organizations are contractual arrangements generally between healthcare providers (e.g. hospitals and physicians) and an employer or insurance company to provide fee for service healthcare at a pre-negotiated rate.

POS Point of Service plans are similar to PPO plans except employees must seek care through a gatekeeper (i.e. primary care physicians).

HMO Health Maintenance Organizations are typically prepaid systems while PPOs operate on a fee for service basis.

EE Employee only coverage.

EE+1 Employee plus one dependent coverage.

Family Employee plus dependent(s) coverage.

UCR Usual, customary, and reasonable.

Rx Prescription drugs. Generic Rx, brand name Rx, preferred (Rx on a preferred list, typically less expensive than the non-preferred list of prescription drugs). Preferred and non-preferred lists can be different from carriers to carriers.

DAW Dispense as written (by physicians).

COB Coordination of benefits (e.g. with Medicare)

COB – Plan pays the lesser of (a) plan benefit calculated without regard to Medicare reimbursement, or (b) covered expenses under the plan minus Medicare payment.

Benefit Integration or Government Exclusion – Plan subtracts Medicare reimbursement from covered charges before applying deductible and co-insurance.

Carve Out – Plan provisions are applied to total eligible charges, then reduced by Medicare reimbursement.

COMPARATIVE ANALYSIS OF MEDICAL PLANS

Active Medical Plans
Active Salaried Employees

Benefits	Rocky Flats, Including Wackenhut	Mound	Fernald	Oak Ridge
Active Medical Plans	Choice of Comprehensive Medical Plan (80/20), or Catastrophic Plan ($1000 annual deductible), or HMO (PacifiCare or Kaiser)	Point of service medical plan	Choice of Base+Major Medical plan (Plan A) or PPO plan or HMO	Choice of Point of Service plan and Indemnity Plan Annual deductible based on pay (min. $200)
Employee Contributions	Comprehensive Plan (80/20): Monthly Amount: EE: $81.01/mo EE+1: $157.12/mo Family: $207.29/mo Catastrophic Plan: No employee contribution req. HMOs PacifiCare EE: $35.12/mo EE+1: $70.34/mo. Family: $118.17/mo. Kaiser: EE: $39.69/mo. EE+1: $79.43/mo. Family: $126.21/mo.	Salary based: Less than $25,000: EE: $20/month EE+1: $35/month Family: $50/month $25,000-$49,999: EE: $35/month EE+1: $60/month Family: $85/month $50,000-$74,999: EE: $60/month EE+1: $90/month Family: $120/month $75,000-$99,999: EE: $85/month EE+1: $115/month Family: $145/month $100,000 or more: EE: $110/month EE+1: $140/month Family: $170/month	Plan A: EE: $38.50/month Family: $77.50/month PPO Plan: EE: $12.00/month Family: $27.00/month HMO: Humana EE: $21.00/month Family: $57.00/month	EE: $41.40/month EE+1: $87.20/month Family: $127.48/month
Type of Medical Plans				
Basic Medical Coverage, include: **Hospital** **Surgical** **Diagnostic**	Comprehensive Plan pays 80% after $200 annual deductible (2x family); Catastrophic Plan pays 80% after $1,000 annual deductible (2x family) HMOs: Plan pays 100%	In network: 100% after $250 per admission copay (no copay for outpatient surgery) Out of network: 80% after $200 annual deductible (2 x family)	Plan A pays 100% UCR PPO plan in network: 90% PPO plan out of network: 70% after annual deductible of $200 (3x family) HMOs: Plan pays 100%	POS In-Network, Plan pays 100% after $100 copay in-patient ($0 copay for out-patient) Out of network: Plan pays 70% after $200/person annual deductible Indemnity plan: Plan pays 80% after $200 annual deductible

Appendix C

COMPARATIVE ANALYSIS OF MEDICAL PLANS

Active Medical Plans
Active Salaried Employees

Benefits	Rocky Flats, including Wackenhut	Mound	Fernald	Oak Ridge
Major Medical: **Doctor office visit**	Comprehensive Plan: Plan pays 80% after $200 annual deductible Catastrophic Plan: Plan pays 80% after $1000 annual deductible HMOs: 100% after $10 copay	In network: 100% after $10 copay per visit Out of network: 80% after $200 annual deductible (2x family)	Plan A pays 80% UCR after $200 annual deductible PPO 90% in network/70% out after $200 annual deductible HMO: 100% after $10 copay (Humana HMO)	POS in network Plan pays 100% after $10 office visit copay POS out of network: Plan pays 70% after annual deduct. Indemnity plan: Plan pays 80% after $200 annual deductible
Prescription Drugs	Comprehensive Plan: Plan pays 80% after $200 annual deductible Catastrophic Plan: Plan pays 80% after $1000 annual deductible HMOs: 100% after $5 copay	Plan pays 100% after $10/$15/$30 copay per Rx. (generic/brand name preferred/nonpreferred)	Plan A pays 100% after $5 copay for generic or DAW Participants pay difference between generic and namebrand + $5 copay. PPO plan: Participants pay $5 generic $15 namebrand. HMOs: $5/ $10/$25 copay	Network Pharmacies: After $50 annual deductible, Plan pays 90% of the cost for generic Rx. and 80% for brand name. Participants pay difference between generic and namebrand plus 20% of brand name. Non network pharmacies: After $50 annual deductible, Plan pays 50% of the cost.
Out of Pocket Limit	Comprehensive Plan: $1,000 per person Catastrophic Plan: $5,000 per person HMOs: None	In network: $500/person ($1000 family) Out of network: $1000/person ($2000 family)	Plan A: None PPO in network: $1200 ($2400 family) PPO out of network: $3200 ($6400 family) HMO: $1500 ($3000 family)	Based on salaried (min. $2,000; family $4,000) for POS out of network and indemnity plan.
Lifetime Maximum	Comprehensive and Catastrophic Plans: $1 million;	In network: Unlimited Out of network: $1 million	$1 million (Plan A & PPO) HMOs: unlimited	$1 million

COMPARATIVE ANALYSIS OF MEDICAL PLANS

Active Medical Plans
Active Salaried Employees

Benefits	Rocky Flats, including Wackenhut	Mound	Fernald	Oak Ridge
	HMOs: Unlimited			

Department of Energy

Active Medical Plans
Active Hourly Employees

Benefits	Rocky Flats	Rocky Flats Protective Force (Wackenhut)	Mound	Fernald	Oak Ridge
Active Medical Plans	Choice of Base/Major Medical Plan, or HMO (PacifiCare or Kaiser)	Choice of Indemnity Medical Plan (90/10), or HMO (PacificCare, UnitedHealth, Kaiser)	If hired prior to 10/01/97: choice of Indemnity Plan (80/20) or HMO If hired after 10/01/97, HMO only	Choice of Base+Major Medical plan (Plan A) or PPO plan or HMO	Choice of Point of Service plan and Indemnity Plan Annual deductible based on pay (min. $200)
Employee Contributions	Monthly Amount: EE: $26.00 Family: $47.67	All Plans Per CBA Weekly Amount EE: $3.00 Family: $8.00	Indemnity Plan: EE: $21.66 EE + 1 $30.34 Family $39.00 HMO: None	Plan A: EE: $36.50/month Family: $88.00/month PPO Plan EE: $12.00/month Family: $27.00/month HMO: Humana EE: $21.00/month Family: $57.00/month	EE: $41.40/month EE+1: $87.20/month Family: $127.48 month
Type of Medical Plans					
Basic Medical Coverage, include: **Hospital** **Surgical** **Diagnostic**	Base/Major Medical Plan Plan pays 100% with no deductible HMOs: Plan pays 100%	Indemnity Plan pays 90% after $100 annual max $200 family HMOs: Plan pays 100%	Indemnity Plan pays 80% UCR after $150 annual deductible (2xfamily) HMO: 100% after $250 deductible	Plan A pays 100% UCR PPO plan in network: 90% PPO plan out of network: 70% after annual deductible of $200 (3x family) HMOs: Plan pays 100%	POS In-Network. Plan pays 100% after $100 copay in-patient ($0 copay for out-patient) Out of network. Plan pays 70% after $200/person annual deductible Indemnity plan Plan pays 80% after $200 annual deductible
Major Medical: **Doctor office visit**	Base/major medical plan: Plan pays 80% after $100 annual	Indemnity Plan: Plan pays 90% after deductible of $100	Indemnity Plan: 80% UCR after $150 annual deductible	Plan A pays 80% UCR after $200 annual deductible	POS in network. Plan pays 100% after $10 office visit copay POS out of network

Department of Energy

Active Medical Plans
Active Hourly Employees

Benefits	Rocky Flats	Rocky Flats Protective Force (Wackenhut)	Mound	Fernald	Oak Ridge
	deductible HMOs: 100% after $5 copay	HMOs: 100% after $5 copay	HMO: 100% after $10 copay	PPO 90% in network/70% out after $200 annual deductible HMO: 100% after $10 copay (Humana HMO)	Plan pays 70% after annual deduct. Indemnity plan: Plan pays 80% after $200 annual deductible
Prescription Drugs	Base/major medical plan: Plan pays 80% after $100 annual deductible HMOs: 100% after $5 copay	Indemnity Plan: 90% after deductible HMOs: 100% after $5 generic or $10 brand name	Indemnity Plan: 100% after $6.25 copy HMO: 80%	Plan A pays 100% after $5 copay for generic or DAW Participants pay difference between generic and namebrand + $5 copay. PPO plan: Participants pay $5 generic $15 namebrand HMO: $5/$10/$25 copay	Network Pharmacies After $50 annual deductible. Plan pays 90% of the cost for generic Rx. and 80% for brand name. Participants pay difference between generic and namebrand plus 20% of brand name Non network pharmacies: After $50 annual deductible. Plan pays 50% of the cost
Out of Pocket Limit	Base/major medical plan: $400 per person ($1,000 family) HMOs: None	Indemnity Plan: $600 per person ($1200 family) HMOs: None	Indemnity Plan: $1000/person-$1500/family HMO: $1500 per person/ (2xfamily)	Plan A: None PPO in network: $1200 ($2400 family) PPO out of network: $3200 ($6400 family) HMO: $1500 ($3000 family)	Based on salaried (min. $2,000; family $4,000) for POS out of network and indemnity plan
Lifetime Maximum	Base/major medical plan: $1 million on major medical expenses only. HMOs: Unlimited	Indemnity: $2 million HMOs: Unlimited	Indemnity Plan: $1 million HMO: unlimited	$1 million (Plan A & PPO) HMO: unlimited	$1 million

Appendix C

Department of Energy

Retiree Medical Plans
Future Salaried Retirees

Benefits	Rocky Flats	Mound	Fernald	Oak Ridge
Eligibility	Retired after age 50 with 10 years of service, or at any age with 70 points, or age 65	Retired after age 55 & with at least 5 years of service	At least age 55 with 10 years of service or age 60 with 30 years of service or age 65	Retired after age 50 & with at least 10 years of service
Retiree Coverage	Lifetime	Lifetime	Lifetime	Lifetime
Spouse Coverage	Lifetime after Retiree dies	6 months after retiree dies	Spouse coverage for 3 mos after retiree dies	To age 65 if in former comp plan and POS Lifetime if age 65+ for Medicare Supplement plan
Coordination with Medicare	Carve out	Carve out	COB	Medicare Supplement
Monthly Retiree Contributions	Salaried retirees 1/1/2001 & after 23% of premium	Salaried after 10/1/97 15 or less years of svc - 50% retiree contribution 16-19: 40% 20-24: 30% 25-29: 20% 30+: 10%	Retiree contribution 1/1/2000 10% theorectical rate/premium for under age 65 $0 for age 65+	Retiree contribution 4/1/90 & after: 25% of premiums for pre 65 Post 65: 50% of plan premium
Medicare Part B premiums	Plan pays 100% of Medicare Part B premiums for retiree and spouse	None	None	None

Appendix C

Department of Energy

Retiree Medical Plans
Future Salaried Retirees

Benefits	Rocky Flats	Mound	Fernald	Oak Ridge
TYPE OF MEDICAL PLANS **Pre Age 65**	Post 8/1/95 retirees Comprehensive medical plan or HMO plan (a)	PPO plan plan & prescription drug card	Base + Major medical & prescription drug card or PPO (90% in network/ 70% out of network) or HMO ($5 office visit copay)	Comprehensive plan or POS and prescription drug plan (% coinsurance after annual deductible)
Age 65+	Comprehensive medical plan (carve out with Medicare) or HMO plans	Medicare supplement plan	Base + Major medical /RX or PPO (90% in network/ 70% out of network) or HMO ($5 office visit copay) COB with Medicare	Medicare supplement plan & prescription drug plan
Basic Medical Coverage, include: **Hospital** **Surgical** **Diagnostic**	Plan pays 80% after $200 annual deductible (80% after $1,000 annual deductible-castrophic plan)	In network: 80% Out of network: 60% after $500 annual deductible	Plan A pays 100% PPO 90 in network/70 out	POS In Netwk. pays 100% after $100 copay in-patient $0 out-patient (70% out of network)
Major Medical, include: **Doctor office visit** **Medical equipment**	Plan pays 80% after $200 annual deductible (80% after $1,000 annual deductible-castrophic plan)	In network: 80% Out of network: 60% after $500 annual deductible	Plan A pays 80% UCR PPO 90 in/70 out after $200 annual deductible	Plan pays 100% after $10 office visit copay
Prescription Drugs	Plan pays 80% after $200 annual deductible (80% after $1,000 annual deductible-castrophic plan)	Plan pays 100% after $10/$15/$30 copay per Rx (generic/brand name preferred/nonpreferred)	Plan A pays 100% after $5 copay for generic or DAW. Participants pay difference between generic and namebrand + $5 copay.PPO pay $5 generic $15 namebrand. HMO 5/10/25	Plan pays 90% for generic and 80% for brand name (in network) 70% for non network pharmacies
Out of Pocket Limit	$1,000 per person $5,000 per person-catastrophic plan	None	None Plan A $1200 PPO	$1,000 per person
Lifetime Maximum	$1 million	$250,000	$1 million	Unlimited
Notes:	HMO plan $10 office visit copay ; 100% hospital coverage; $5 copay prescription drug card		Choice of Indemnity plan or PPO or HMO. PPO plan is 90% in network, 70% out of network. HMOs $5 or $10 office vist copay, 100% inpatient hospital. Plan A closed gate	**Medicare Supplemental Plan pays 80% after $100 annual deductible, lifetime max. $250,000**

Department of Energy

Retiree Medical Plans
Current Salaried Retirees

Benefits	Rocky Flats	Mound	Fernald	Oak Ridge
Retiree Coverage	Lifetime	Lifetime	Lifetime	Lifetime
Spouse Coverage	Lifetime after retiree dies	Lifletime after retiree dies for EG&G retirees & BWXTO retirees prior to 10/1/97. 6 months if retired on or after 10/1/97	Spouse coverage for 3 mos after retiree dies	To age 65 if in former comp plan and POS Lifetime if age 65+ for Medicare Supplement plan
Coordination with Medicare	Pre 1/1/95 Retirees: COB (up to 100% of allowable charges) 1/1/95 & later: Carve out	Medicare carve out	COB	Medicare Supplement
Monthly Retiree Contributions	<u>Salaried retirees prior to 12/31/94:</u> none for full retirees or dependents <u>Salaried retirees between 1/1/95 and 7/31/95</u> $13/retiree $21.67/spouse <u>Salaried retirees between 8/1/95 and 12/31/96</u> $45/retiree $42/spouse <u>Salaried retirees between 1/1/97 to 12/31/99:</u> $64/retiree $61/spouse	<u>Salaried retirees prior to 6/1/90:</u> $5.42/retiree $8.66/retiree+1 $10.84/family <u>Salaried retirees between 6/1/90 and 12/1/93:</u> $8.66/retiree $13.00/retiree+1 $17.32/family <u>Salaried 1/1/94 thru 10/1/97</u> $21.66/retiree $30.34/retiree+1 $39.00/family Salaried after 10/1/97 15 or less years of svc - 50% retiree contribution 16-19: 40% 20-24: 30% 25-29: 20% 30+: 10%	<u>Retirees prior to 6/1/89:</u> no contributions required <u>Retirees 6/1/89 and later</u> under 65 indemnity plan approx. 10% of theoretical rate or premium $0 for 65+	Former retirees of Goodyear Atomic Corporation pays $0 Retiree contribution 4/1/90 & after: 25% of premiums for pre 65 Post 65: 50% of plan premium
Medicare Part B premiums	Plan pays Medicare Part B premiums for retiree and spouse	None	None	None

Department of Energy

Retiree Medical Plans
Current Salaried Retirees

Benefits	Rocky Flats	Mound	Fernald	Oak Ridge
TYPE OF MEDICAL PLANS				
Pre Age 65	Retirees prior to 8/1/95 Base + Major Medical or HMO plan (a) Retirees after 8/1/95 Comprehensive or HMO (a)	Comprehensive medical plan with blind PPO & prescription drug card (EG&G retirees) or PPO plan (BWXTO retirees)	Base + Major medical & prescription drug card or PPO (90 in/70out) or HMO ($10office Visit copay)	Comprehensive plan or POS and prescription drug plan (% coinsurance after annual deductible)
Age 65+	Base + Major Medical or HMO prior to 8/1/95. Comprehensive or HMO after 8/1/95 (coordination of benefits up to 100% of charges for retirees prior to 1/1/95 and carve out with Medicare for post 1/1/95 retirees)	Medicare supplement plan	Base + Major medical with Rx (COB with Medicare) PPO COB	Medicare supplement plan & prescription drug plan
Basic Medical Coverage, include: **Hospital** **Surgical** **Diagnostic**	Base/Major Medical Plan pays 100%. Comprehensive plan pays 80% after deductible.	pre BWXTO: Plan pays 80% after $150 annual deductible	Plan pays 100% PPO 90in/70out HMO 100%	POS In-Netwk pays 100% after $100 copay in-patient $0 out-patient (70% out of netwk)
Major Medical, include: **Doctor office visit** **Medical equipment**	Plan pays 80% after annual deductible (b)	pre BWXTO: Plan pays 80% after $150 annual deductible	Plan pays 80% UCR PPO 90in/70out after $200 annual deductible	Plan pays 100% after $10 office visit copay
Prescription Drugs	Plan pays 80% after annual deductible (b)	pre BWXTO: Plan pays 100% after $6.25 copay per Rx.	Plan pays 100% after $5 generic or DAW. Participant pays $5 plus difference between namebrand and generic. PPO $5 generic/$15 brandname HMO 5/10/25	Plan pays 90% for generic and 80% for brand name (in network) 70% for non network pharmacies
Out of Pocket Limit	Pre 1/1/88: none 1/1/88-7/31/95: $400 8/1/95 and later $1,000 per person	pre BWXTO: $1,000 per person/ $1,500 family	None - Plan A $1200 in/$3200 out - PPO	$1,000 per person
Lifetime Maximum	<u>Retirees prior to 8/1/95</u> Under 65: $250,000 for major medical services Age 65+: $25,000 on major medical services <u>Retirees post 8/1/95</u> $1 million all services	pre BWXTO: $1 million	$1 million Plan A closed gate	Unlimited **Medicare Supplemental Plan pays 80% after $100 annual deductible, lifetime max. $250,000**

Department of Energy

Retiree Medical Plans
Current Salaried Retirees

Benefits	Rocky Flats	Mound	Fernald	Oak Ridge
Notes: (a) HMO Plan:	(a) HMO plan: Retirees prior to 1/1/95: $0 office visit copay; 100% for hospital coverage; $0 copay prescription drug card 1/1/95-7/31/95: $5 office visit copay, 100% hospital coverage; $0 copay prescription 8/1/95 and later: $10 office visit, 100% hospital, $5 copay prescription	PPO plan for BWXTO: Annual deductible: $500 In network 80% Out of network 60% Prescription drug card. $10/$15/$30 copay $250,000 lifetime max. No out of pocket maximum	Retirees have choice of indemnity, HMO or PPO plans. HMOs either $5 or $10 office visit copay, 100% inpatient hospital coverage, $5/10/25 copay Rx PPO is 90% in network and 70% out of network. Prescription $5 generic, $15 namebrand	
(b) Annual deductible	(b) Annual deductible: $50/$100 pre 1/1/88 $100/$200 1/88-8/95 $200/$400 8/1/95 & later		Plan A & PPO annual deductible $200/$600; $1200/$2400 out of pocket limit in network, for PPO $3200/$6400 out of pocket limit out of network for PPO	

Department of Energy

Retiree Medical Plans
Current Salaried Retirees

Benefits	Rocky Flats	Mound	Fernald	Oak Ridge
			No limit on Plan A	

Department of Energy

Retiree Medical Plans
Future Hourly Retirees

Benefits	Rocky Flats	Rocky Flats Protective Force (Wackenhut)	Mound	Fernald	Oak Ridge
Eligibility	Retired after age 50 with 20 years of service or age 55 with 10 years or age 60	Retire eligible 55 and 10 years or age 60 no service requirment or 70 points	Retired after age 55 & with at least 10 years of service	At least age 55 with 10 years of service or age 60 with 30 years of service or age 65	Retired after age 50 & with at least 10 years of service
Retiree Coverage	Lifetime	Lifetime	Lifetime	Lifetime	Lifetime
Spouse Coverage	Lifetime after retiree dies	Lifetime	Lifetime after retiree dies	If hourly retiree dies before age 65, spouse coverage is canceled, otherwise for life	To age 65 if in former comp plan and POS Lifetime if age 65+ for Medicare Supplement plan
Coordination with Medicare	Carve out	Supplement	Medicare Supplement	Carve out - Plan A COB - PPO	Medicare Supplement
Monthly Retiree Contributions	Hourly retirees 1/1/2000 & after $26.00/retiree $21.67/spouse	Prior to 1995 - 0 1/1/95 same as active Weekly $3.00 single $8.00 Family	Hourly retirees after 10/1/97: $21.66/retiree $30.34/retiree+1 $39.00/family no contributions required for 65+ coverage	Retiree contribution 10% theoretical rate/premium $0/retiree age 65+	Retiree contribution 4/1/90 & after 25% of premiums for pre 65 Post 65 50% of plan premium
Medicare Part B premiums	None	None	None	None	None

Department of Energy

Retiree Medical Plans
Future Hourly Retirees

Benefits	Rocky Flats	Rocky Flats Protective Force (Wackenhut)	Mound	Fernald	Oak Ridge
TYPE OF MEDICAL PLANS			Same as Salaried		
Pre Age 65	Post 8/1/95 retirees: Base with major medical plan or HMO plan (a)	Same as active Indemnity and HMO's	PPO plan plan & prescription drug card	Base + Major medical & prescription drug card or PPO (90% in network/ 70% out of network) or HMO ($10 office visit copay)	Comprehensive plan or POS and prescription drug plan (% coinsurance after annual deductible)
Age 65+	Base with major medical plan (carve out with Medicare) or HMO plans		Medicare supplement plan	Base + Major medical with Rx (carve out with Medicare) PPO COB	Medicare supplement plan & prescription drug plan
Basic Medical Coverage, Include: Hospital Surgical Diagnostic	Plan pays 100%	Prior to 1990 Base with major medical plan.	Plan pays 80% after $150 annual deductible	Plan A pays 100% PPO 90 in/ 70 out HMO 100%	POS In-Netwk. pays 100% after $100 copay in-patient $0 out patient (70% out of network)
Major Medical, Include: Doctor office visit Medical equipment	Plan pays 80% after $100 annual deductible	90/10 prior to age. After age 65 medicare supplement	Plan pays 80% after $150 annual deductible	Plan pays 80% UCR PPO 90 in/ 70 out after $200 annual deductible	Plan pays 100% after $10 office visit copay
Prescription Drugs	Plan pays 80% after $100 annual deductible	90/10 current prior to 1990 - 80/20 after $100 deductible	Plan pays 100% after $6.25 copay per Rx.	Plan A pays 100% after $5 copay for generic or DAW PPO $5 generic/$15 for brand name HMO 5/10/25	Plan pays 90% for generic and 80% for brand name (in network) 70% for non network pharmacies
Out of Pocket Limit	$1,000 per person	$600 individual $1200 family	$1,000 per person	None - Plan A PPO 1200 in/3200 out	$1,000 per person
Lifetime Maximum	$1 million	$2 million	$1 million	$1 million	Unlimited
Notes:	HMO plan: $10 office visit copay, 100% hospital coverage, $5 copay prescription drug card	HMO plan: $5 office $5 prescription generic 100% hospital		Plan A closed gate	**Medicare Supplemental Plan pays 80% after $100 annual deductible, lifetime max. $250,000**

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Retiree Medical Plans
Current Hourly Retirees

Benefits	Rocky Flats	Rocky Flats Protective Force (Wackenhut)	Mound	Fernald	Oak Ridge
Retiree Coverage	Lifetime	Lifetime	Lifetime	Lifetime	Lifetime
Spouse Coverage	Lifetime after retiree dies	Lifetime	Lifetime after retiree dies	Lifetime after retiree dies if 65 or older. Under 65 cancels end of month	To age 65 if in former comp plan and POS Lifetime if age 65+ for Medicare Supplement Plan
Coordination with Medicare	Pre 1995 retirees COB (up to 100% of allowable charges) 1/1/95 & after: carve out	Pre 1990 retirees: COB (up to 100% of allowable charges)	Medicare carve out	Carve out - Plan A COB - PPO	Medicare Supplement
Monthly Retiree Contributions	Hourly retirees prior to 12/31/94: none for full retirees or dependents Hourly retirees after 1/1/95: $13/retiree $21.67/spouse Hourly (1/1/97+) $26/retiree $21.67/spouse	Prior to 1995 - none 1/1/1995 weekly $3.00 single $8.00 family	Hourly prior to 6/1/90: $1.25/week Hourly retirees between 6/1/90 and 12/31/93: $2/week Retirees 1/1/94-12/31/94 $3/week Retirees between 1/1/95 and 10/1/97: $5/week Retirees after 10/1/97: $21.66/month	Retirees prior to 7/1/89: no contributions required Retirees on or after 7/1/89: 10% rates/premiums under 65 over 65 $0	Retirees prior to 4/1/90: no contribution required Retiree contribution 4/1/90 & after: 25% of premiums for pre 65 Post 65 - 50% of plan premium
Medicare Part B premiums	None	None	None	None	None

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Current Hourly Retirees

Benefits	Rocky Flats	Rocky Flats Protective Force (Wackenhut)	Mound	Fernald	Oak Ridge
TYPE OF MEDICAL PLANS					
Pre Age 65	Base + Major Medical or HMO plan (a)	Indemnity HMOs(United Health, Pacificare, Kaiser)	Comprehensive medical plan & prescription drug card	Base + Major medical & prescription d ug card	Comprehensive plan or POS and prescription drug plan (% coinsurance after annual deductible)
Age 65+	Base + Major Medical (coordination of benefits up to 100% of charges) or HMO plans	Indemnity HMOs(United Health, Pacificare, Kaiser)	Medicare supplement plan	Base + Major medical with Rx. (carve out (PlanA) COB-PPO with Medicare)	Medicare supplement plan & prescription drug plan
Basic Medical Coverage, include: **Hospital** **Surgical** **Diagnostic**	Plan pays 100%	Plan pays 100% after deductible	Plan pays 80% after $150 annual deductible	Plan A pays 100% PPO 90 in/ 70 out	POS In-Netwk. pays 100% after $100 copay in patient $0 out patient (70% out of network)
Major Medical, include: **Doctor office visit** **Medical equipment**	Plan pays 80% after annual deductible (b)	Plan pays 90% after deductible Prior to 1990 80%	Plan pays 80% after $150 annual deductible	Plan A pays 80% UCR PPO 90 in/ 70 out after $200 annual deductible	Plan pays 100% after $10 office visit copay
Prescription Drugs	Plan pays 80% after annual deductible (b)	Plan pays 90% after deductible Prior to 1990 80%	Plan pays 100% after $6.25 copay per Rx	Plan A pays 100% after $5 copay for generic or DAW PPO $5 generic $15 name brand. HMO 5/10/25	Plan pays 90% for generic and 80% for brand name (in network) 70% for non network pharmacies
Out of Pocket Limit	Pre 1/1/88: none 1/1/88-7/31/95: $500 per person 1/95 and later. $1,000 per person	Max $600 - $1200	$1,000 per person	None - Plan A PPO $1200 in / $3400 out	$1,000 per person
Lifetime Maximum	Before 1/88: $1,000,000 on all services 1/88-12/94: $250,000 for major medical services 1/95 and later: $1,000,000 on all services	Prior to 1990: $250,000 for major medical services 1990 to 2000: $1,000,000 2000 forward $2,000,000	$1 million	$1 million	Unlimited **Medicare Supplemental Plan pays 80% after $100 annual deductible, lifetime max. $250,000**
Notes:	(a) HMO plan: $0 office visit copay; 100% for hospital coverage, $0 copay prescription drug card 1/1/95-7/31/95: $5 office visit copay (b) Annual deductible: $50/$100 Before 1/88 $100/$200 1/88 and later	HMO plan: $5 office 100% for hospital $5 prescription drugs	HMO plan: $10 office visit copay; 100% for hospital coverage. $3.50 per Rx copay if Rx cost is $17.50 or less else 20% copay	HMO plan: $5 or $10 office visit copay; 100% hospital coverage. $5/10/25 copay Rx PPO plan: 90% in network, 70% out of network. $200 annual deductible for out of PPO network; out of pocket limit $1200 in network $3200 out of network Plan A closed gate	